

**Internal Controls Questionnaire – 2022 Audit**

Episcopal Church (TEC) Canons (I.7.1(g)) require that the annual congregational audit must be received in the Diocesan Office by September 1st.  
Revised: Summer 2022

Adapted from Manual *of Business Methods in Church Affairs* (chapter II). Please see the manual for further detail.

**Note: A member of the audit committee should ask the treasurer the following questions in order to find out how procedures are presently being handled. Then, the audit form is used to review and verify the items.**

Name of Church: \_\_\_\_\_

City: \_\_\_\_\_

Audit Year: \_\_\_\_\_

Treasurer: \_\_\_\_\_

General: The following items provide general information to aid in understanding the overall accounting and internal control system.

**Please circle response:**

1	Have the recommendations of prior reports on internal controls been implemented?	Yes	No	
2	Is a complete chart of accounts, listing all accounts and their respective account numbers available?	Yes	No	
3	Is the accounting system using a double entry bookkeeping method	Yes	No	
4	Have the findings of external auditors been reported to the vestry?	Yes	No	
5	Besides the vestry, are other groups authorized to spend money? If so, please list them:	Yes	No	None
6	Is the church facing any lawsuits or potential lawsuits?	Yes	No	
7	Is there a policy covering the procedures for write-offs of receivables or loans, approval required, provision for reserves?	Yes	No	
8	Is there a process in place for ongoing review of the budget?	Yes	No	

Budget: The development and use of a budget is a critical management tool that will aid in the stewardship and administration of church resources and programs.

1	Is the budget approved by the vestry?	Yes	No	
2	Are all changes to the budget authorized by the vestry and recorded in the minutes of the meetings?	Yes	No	
3	Are budgeted amounts periodically compared to actual amounts and are differences discussed with vestry?	Yes	No	

Reporting: The best accounting system is of little value, unless it communicates the information it contains to the staff and vestry responsible. Although there may be variations, certain minimum standards exist to assure adequate communication of the financial information.

1	Is the treasurer’s report submitted to the vestry or accounting committee each month?	Yes	No	
2	Is the treasurers’ report presented in enough detail to inform the reader about the nature of the various income and disbursement items?	Yes	No	
3	Does the report present the current actual financial data compared with the approved budget to date?	Yes	No	
4	Is there periodic reporting at least quarterly of all other funds and activities including designated or restricted funds?	Yes	No	

Cash Receipts: Clearly stated policies and procedures regarding the handling of cash and other receipts help to prevent loss and assure that all receipts are properly recorded.

1	What are the safeguards to protect the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited? List below:			
2	Do two different unrelated people count and deposit the cash each week?	Yes	No	
3	Are the cash counters rotated on a periodic basis?	Yes	No	
4	Do the cash counters have a standardized form for recording the deposit information and counting cash?	Yes	No	
5	Are the counting sheets reconciled with actual deposits and any discrepancies investigated? (if applicable)	Yes	No	
6	Are pledge or offering envelopes used? If so, are they retained and reconciled to the recorded amounts?	Yes	No	NA
7	Are other cash receipts recorded and deposited on a regular basis?	Yes	No	
8	Are checks stamped with “For Deposit only “immediately upon receipt?	Yes	No	
9	Are cash receipts deposited into the general operating account?  How many accounts does the church have? List below (savings checking, bank or credit union)	Yes	No	

10	Are there procedures that will highlight or call someone's attention to the fact that all receipts or income have not been received or recorded? What are they? See internal controls notes for examples and list in the notes at the end of this form.	Yes	No	
11	Are quarterly statements provided to donors of record?	Yes	No	
12	As per policy, are discrepancies investigated between deposits and cash counting sheets?	Yes	No	
13	What is your procedure about making the deposit? Who makes the deposit and how often?			

Cash Disbursements: The following procedures will assist in assuring that all payments are properly approved, recorded, and supported by appropriate documentation.

1	Are all disbursements made by check, credit card, debit card or electronic payments (other than petty cash for small items)?	Yes	No	
2	Are checks pre-numbered and used in sequence	Yes	No	
3	What is the approval process for disbursements? Who is authorized to approve disbursements (including petty cash replenishment)?			
4	Are all voided checks cancelled and retained?	Yes	No	
5	Are all checks made payable to specific payees and not to cash or bearer?	Yes	No	
6	Are disbursements supported by original documentation and marked "Paid" with the check number and date on them?	Yes	No	
a	Is there a policy stating that signing blank checks is not allowed?	Yes	No	
b	Is there a policy that using pre-printed signatures or stamps is not allowed?	Yes	No	
c	Do the check signers see the original invoices?	Yes	No	
d	Are all account signers authorized by the vestry? Have there been changes in the audit year? List the name of the check signers:	Yes	No	
e	Is more than one signature required for any check? (other than discretionary fund checks)	Yes	No	
f	If not, do checks for more than \$500 require more than one signature?	Yes	No	
7	Are all disbursements requiring special approval of funding sources or from the vestry properly documented in the vestry minutes?	Yes	No	NA
8	If the church uses electronic transfers (ACH, debit cards) how are they monitored? How are duties segregated?			None

9	If the church has a credit card, please list the limit on the card, and the cardholder's names below:			NA
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Journal Entries: Journal entries offer a special opportunity to adjust accounting records. The general journal is an equally important book of original entry as the cash receipts and cash disbursements journals.

1	Do you make journal entries? (Bank fees etc.) If so, list types of entries:	Yes	No	
2	If so, who approves them?			
3	If you make journal entries, is there an adequate explanation and documentation accompanying each one?	Yes	No	NA

Bank Account Reconciliation: The monthly reconciliation of all bank accounts is a primary tool for assuring the proper recording and accounting for all cash account activity.

1	Are all bank accounts reconciled within 10 days of receipt? By Whom?	Yes	No	
2	Do two different people perform the task of opening and reconciling the bank or credit union statements?	Yes	No	
3	Does someone besides the treasurer or bookkeeper complete the reconciliation? If so, list here:	Yes	No	
4	Do the reconciliation procedures provide for:			
a	Comparison between the bank statement and cash receipts journal or register of dates and amounts of deposits?	Yes	No	
b	Investigation of bank transfers to determine that both sides of the transactions have been recorded?	Yes	No	
c	Investigation of all bank debit and credit memos?	Yes	No	None
d	Review of all checks outstanding more than 90 days?	Yes	No	None
e	Are checks more than 180 days outstanding voided during the year end reconciliation?	Yes	No	None
f	Is the bank immediately notified of all changes of authorized check signers?	Yes	No	None
5	Are all journal entries for bank charges and interest recorded each month?	Yes	No	None
6	Are all bank accounts included on the financial reports to the vestry?	Yes	No	
7	If there are other groups that hold funds, do you reconcile the bank statements for them? (ECW, guilds, discretionary funds etc.)	Yes	No	None

Petty Cash: The following controls provide a timely recording of cash expenditures in the accounting system.

1	Does the church have petty cash?	Yes	No	
2	If yes, how many people have access to petty cash?			NA
3	Who has responsibility for the petty cash?			NA
4	How often is petty cash replenished? Who reviews the receipts prior to replenishing petty cash and determines if the documentation is adequate? How often: _____ Who reviews/approves: _____			NA
5	Are check cashing and making loans to employees from petty cash prohibited?	Yes	No	NA
6	How is the petty cash protected from theft or misplacement?			

Investments: Procedures for proper recording and control of all investments will help to assure that all assets and related income are accounted for and properly reported.

1	Does the church have investments?	Yes	No	
2	Are investments managed by a professional broker? (If not, who manages them?)	Yes	No	None
3	How often does the vestry meet with the investment manager?			
4	Is authorization for sale/purchase of investments provided by the vestry or authorized investment committee?	Yes	No	None
5	Are investment instruments (bonds, securities, CDs etc.) protected from fire, theft, or misplacement?	Yes	No	None
6	Are the income, dividends, and interest recorded?	Yes	No	None
7	Are all investment included in the financial reports to the vestry?	Yes	No	None
8	What is your process for drawing funds from the investments? Who is authorized to sign and how many signers are required?			None
9	Does the church have an Investment Policy statement,	Yes	No	None

10	Who are the individuals designated to be responsible for assuring compliance with the terms and conditions of all grants, restricted, contributions, endowments, etc. received?			
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Property and Equipment: Certain procedures involving the physical assets of the church will aid in detecting, identifying and preventing losses:

1	Is formal approval by the vestry required for all property and equipment purchases and disposals?	Yes	No	
2	When was a review comparing actual property, furniture, fixtures and equipment with the inventory listing done? Note Date here: _____			
3	Is there a safe deposit box?	Yes	No	
a	Who is authorized to enter it?			NA
b	Is there an inventory of its contents	Yes	No	NA
c	Are the keys maintained in a safe place?	Yes	No	NA
4	Is the church incorporated?	Yes	No	
5	Where are permanent records such as articles of incorporation, by-laws, and real estate deeds kept?			
6	Do you have a process for an annual review of the inventory?	Yes	No	
7	Does the church have outstanding liens against the property or equipment?	Yes	No	

Insurance: Insurance should be maintained that is adequate to protect against all reasonable risk of loss:

1	Is an inventory list kept with the insurance file and another copy of the list maintained off premises?	Yes	No	NA
2	Is there periodic review of insurance coverage for:			
a	Property?	Yes	No	
b	Liability?	Yes	No	
c	Fidelity Bond?	Yes	No	
d	Sexual misconduct?	Yes	No	
e	Directors and officers liability?	Yes	No	
f	Worker's compensation	Yes	No	
3	Is there a periodic review conducted to ensure that adequate controls are in place to prevent loss?	Yes	No	
4	Note the names of those who work with children or at-risk adults. By providing this list to the diocesan office, the staff can check on whether or not those listed are in compliance with the background check and training requirements.	Yes	No	

Liabilities and Debt: All liabilities and other debt must be clearly reported, and all provisions or restrictions complied with.

1	Does the church have new debt in 2022 ? Debt includes Faber fund loan from diocese.	Yes	No	
2	Is all borrowing or indebtedness authorized by the vestry, Bishop, Diocesan Council, and Standing Committee?	Yes	No	NA
3	Are all loan agreements and/or lease agreements in writing and properly safeguarded?	Yes	No	NA
4	Are periodic reviews conducted to determine compliance with debt/lease provisions?	Yes	No	NA
5	Are bills paid on time? (Including loan or lease payments)	Yes	No	
6	Are all liabilities noted on the financial statements given to the vestry?	Yes	No	NA

Restricted Gifts and Income: Gifts restricted by donors are not handled in the same manner as other contributions. Procedures are necessary to assure that these gifts are recorded properly and all restrictions observed.

1	Are there any bequests, memorials, endowments or any other restricted gifts to include:	Yes	No	None
a	Is the date, amount and donor of gift information on file?	Yes	No	None
b	If there are restrictions or limitations, are they on file?	Yes	No	None
2	Does the vestry approve restricted gifts and grants?	Yes	No	None
3	Are written acknowledgments sent to donors for memorial gifts or endowments?	Yes	No	None

Payroll: the application of policies and procedures involving the employment of individual's assures compliance with payroll tax reporting to various governmental entries.

1	Does the church have personnel files?	Yes	No	
2	Are all employees (both clergy and lay) receiving a W2?	Yes	No	
3	Does the church have lay employees? (Clergy are not technically employees but are considered so for some tax reporting purposes).	Yes	No	
4	Does the church provide a life insurance policy for the priest or lay staff?	Yes	No	
5	Does the church contribute to a health savings account for clergy or lay staff?	Yes	No	
6	Do the clergy or lay staff make pre-tax contributions to 403(b) plans?	Yes	No	
7	How do you reimburse for travel expenses? Flat rate or with mileage submission? Note below:			
8	Have you paid anyone \$600 or more for services provided to the church?	Yes	No	

9	Are forms 1099 being provided for all individuals who are not employees and for all unincorporated entities paid \$600 or more annually?	Yes	No	NA
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Computer Systems: The use of computers creates the need for additional procedures to safeguard the system and data.

1	Are files backed up every time they are updated and are the backups maintained off premises	Yes	No	
2	Is access to computers and programs limited to authorized users?	Yes	No	
3	Is there adequate documentation, including user manuals, available onsite for all computer programs?	Yes	No	
4	Is there a plan for recovery of data and continuation of operations in the event of a disaster? (Other than prayer)	Yes	No	

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***Please mail completed form (with audit form, audit certificate and audit findings letter ) or file on line or email to [finance@diomntana.com](mailto:finance@diomntana.com) by September 1 to:***  
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